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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC 20554

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In the Matter of	)	
	)	
Telecommunications Services Inside Wiring	)	CS Docket No. 95-184
	)	
Customer Premises Equipment	)	
	)	
In the Matter of	)	
	)	
Implementation of the Cable Television Consumer Protection and Competition Act of 1992:	)	MM Docket No. 92-260
	)	
Cable Home Wiring	)	

Comments of CableVision Communications, Inc.,
Classic Cable, Inc. and
Comcast Cable Communications, Inc.
on the Further Notice of Proposed Rulemaking

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September 25, 1997

No. of Copies rec'd 0+4
List ABCDE

APPENDIX

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Citation | Search Result | Rank 1 of 171 | Database

9/22/97 BUSWK 81
9/22/97 Bus. Wk. 81
1997 WL 8271795
(Publication page references are not available for this document.)

Business Week
Copyright 1997 McGraw-Hill, Inc.

Monday, September 22, 1997

Number 3545

Cover Story

A STORIED SCAVENGER

SAM ZELL
CHAIRMAN
Equity Group
Investments Inc.
Chicago

Chicago-based financier Sam Zell, already the largest owner of office buildings, apartments, and manufactured housing through his portfolio of REITs, is still hot on the acquisition trail. Besides dominating his markets, Zell wants to generate extra money from his properties by using his powerful economies of scale to secure better rates on telephone, cable, and other services, and then pass them on to tenants--for a small fee, of course. Zell's empire also includes extensive non-real estate holdings, including one of the largest radio station groups in the country, a supermarket chain, and a steamship line.

Word Count: 104
9/22/97 BUSWK 81
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The Wall Street Journal
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Tuesday, March 25, 1997

Targeted Tenants: Apartment Complexes Fall Into New Hands, And Up Go the Rents

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REITs Play a Bigger Role; As Long-Term Owners, They Try to Raise Profits

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'We Nickel and Dime Them'

By Neal Templin
Staff Reporter of The Wall Street Journal

DALLAS -- As the new manager of an apartment complex owned by Walden Residential Properties Inc., Janis Parker immediately set to work trying to please the company's shareholders.

She bumped up all the rents at the Reflections complex here by $5 or $10 a month. Then, she raised fees, such as the application fee. The goal: Push up profits as rapidly as possible without causing too many tenants to bolt. "We nickel and dime them," she explains.

Led by fast-growing companies such as Walden, a new breed of owners is changing the way apartment complexes are run. While apartment buyers in the 1980s mostly invested for a tax shelter and a quick resale, now many of them are publicly traded real-estate investment trusts focused on building profits, a real trick in this notoriously volatile business. As a REIT, "you've always got to do better than the year before. But in real estate, you can't always do that," says Jona Goldrich, a Los Angeles investor who privately owns over 20,000 apartments.

That doesn't keep Walden and similar companies, such as Equity Residential Properties Trust of Chicago and Post Properties Inc. of Atlanta, from trying. Flush with money from a hot stock market, REITs now own 650,000 apartment units, up from just 50,000 in 1991. To justify their rising rents, many REITs are quicker than private owners to add covered parking or security gates. They tell their managers to market and run properties aggressively. And, worried that future rent increases may become harder to get, they constantly look for ways to raise rents.

In recent years, REITs pushed the metering of apartment units for water use, forcing their tenants to pay water bills. Now, some property managers are being asked to sign up tenants for such revenue-boosting services as cable television, long-distance telephone and Internet service. Camden Property Trust, a Houston REIT, is preparing its property managers to begin pitching life insurance, credit cards and fast food to residents.

"When I started out as a leasing agent 11 years ago," says Dawn Gaudet, a 29- year-old manager of two Houston-area Camden properties, "my job was to sit at my desk, look pretty and lease to everybody that walked in the door." Now, she coaches her leasing agents to sell Camden's captive phone service, called Camtel, by pitching its low cost and quick installation service. The pitch works: Half the residents at her properties use Camtel.

But many tenants are feeling the pinch as REITs take more of the market. Ileen Murray, a 50-year-old graduate student, reluctantly agreed to a new lease on her Mission Viejo, Calif., apartment that will raise her rent by $80 a month, to $690. When the new owner, Bay Apartment Communities of San Jose, is done renovating the complex, the apartments will have new exteriors, garage doors, new appliances and a weight room. But Ms. Murray will forgo buying textbooks and use the library instead. Surviving primarily on student loans, the rent increase "is a lot of money to me," she says.

In Dallas, where REITs have a major market presence, the Texas Tenants Association says it is getting more and more complaints about rising rents. "People used to go a year and a half without getting a rent increase," says Sandy Rollins, executive director of the advocacy group. "Now, as soon as their six-month lease expires, they're hit with one. They always want to know, isn't there some limit as to how much rents can go up?"

The answer, of course, is whatever the market will bear. When Ms. Parker became manager of the Reflections complex here in 1995, she surveyed rents at the neighboring developments and "found out we were getting beat by $15 or $20 a month on some floor plans." In apartment parlance, "getting beat" means charging less rent. Ms. Parker, a 51-year-old who has managed property for 22 years, instituted what she calls "nuisance rent increases."

Walden tells its managers to start raising rents if their occupancy rate climbs above 95%. "If you're 100%-leased, your rents are too low," Walden Chairman Don R. Daseke said in an interview. "You'll get a higher cash flow if you're 95% leased."

Steve Lamberti, Walden's chief operating officer, says, "I wouldn't use the term 'nickel and diming' and I wouldn't use the term 'nuisance rent increases.' We are progressive in raising our rents, which I believe are dictated by market conditions." He adds that Walden and its competitors are "looking to drive rents."

Using a computer database, Ms. Parker tracks the rents and vacancy rates for each of her floor plans and compares it with the competition. Reflections has eight floor plans, ranging from a one-bedroom apartment renting at $515 a month to a two-bedroom, two-bath model at $765 a month. Ms. Parker recently raised rents by $10 a month on her one-bedrooms because they lease quickly. But rents are steady for the slower-moving two-bedroom units.

Most apartment managers are women, and, like many of them, Ms. Parker got into the business by accident. Just when she was bored with staying home with a two-year-old, the manager at her Tulsa, Okla., apartment offered her a part- time job. Two months later, he quit, and Ms. Parker was running a 119-unit complex.

Managing a property is a bit like running a small town. Ms. Parker oversees a $2.5 million operation with more than 600 residents and endless problems such as leaking pipes, lost keys and late payments. She raised the redecorating fee that all new residents pay and the deposit required of pet owners. She also recently began charging a premium of $10 a month for apartments with views of a creek or the swimming pool after she noticed these units leased more quickly. Last year, her second at Walden, she earned $31,000 plus a $7,000 bonus.

Such effort has paid off for Walden, too. In 1996, it increased its net income more than 50% to $4.2 million, or 18 cents a share, and gave its stockholders a total return of 28%, including dividends.

REITs, which enable their shareholders to make liquid investments in everything from shopping centers to office buildings, say their drive for profits results in more customer services than many closely held management companies offer. Avalon Properties Inc., an Alexandria, Va., REIT, offers such services as pet-feeding, dry-cleaning pickup and free transportation to metro stops at its three luxury apartment towers in Arlington. Home Properties of New York Inc., of Rochester, N.Y., plans to install air conditioners in a middle- tier apartment complex it just bought on Long Island in Lake Grove, N.Y.

Because they operate apartments rather than quickly resell them, REITs say they invest heavily in upkeep and maintenance. Equity, the nation's largest apartment REIT, says it also searches for poorly managed complexes because they offer the most upside potential. Then it pushes its managers to improve occupancy and revenue, with bonuses for meeting goals.

Last fall, Equity bought the 510-unit Mountain Terrace apartment complex in Stevenson Ranch, north of Los Angeles, for $40 million. The five-year-old complex had struggled since the Northridge earthquake, even though the previous owner had made $12 million in repairs. Enter Robert Grant, a 32-year-old college dropout who had been managing an Equity property in Huntington Beach, Calif. He arrived on Jan. 2 and found that almost the entire Stevenson Ranch staff had quit.

Mr. Grant first acted to improve Mountain Terrace's public face. He ordered new furniture for its drab leasing office to create more of "a living-room feel." He spent $25,000 on landscaping. The former management had used model apartments with great views, but there weren't many, and prospective tenants were disappointed when they saw the units actually for rent. Mr. Grant selected model apartments with more typical views, figuring "it's easier to sell up than to sell down."

In less than three months, the occupancy rate has climbed to 82% from 74%. While the previous

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management had discounted rents by as much as $250 a month, Mr. Grant now offers just a single $100 move-in discount. He is also writing leases of odd durations, such as five or nine months, so that more apartments will come open in the busy summer months than in the traditionally slow fall and winter months.

Yet operating income at Mountain Terrace is rising more slowly than Equity had projected, and Mr. Grant knows he may not get a full bonus, which can add up to 20% to his $32,000 salary. He blames incentives and waivers granted before he arrived that allow tenants to move without giving notice. But he expects to have the complex fully leased by summer -- and then begin raising rents aggressively.

How aggressively? Last year, Equity increased its total revenue from existing complexes by more than 7% from 1995. In Agoura Hills, Calif., where it bought the Oak Park North and South apartment complexes in 1995, the project manager, Wanda Basil, started out with small rent increases while sprucing up the property. Now with the Southern California economy rebounding, she is imposing increases as high as $200 a month.

Elizabeth Woods, 27, a nurse living in Oak Park North, just got hit with a $100-a-month increase, raising the rent for her two-bedroom apartment to $1,125 a month. She and her husband will sign a new lease anyway. "We don't mind it now that grounds are being kept up," she says. "But if everything looked like it did a couple of years ago, we would have moved out."

In strengthening markets, REITs can squeeze bigger payments from tenants. And since REITs own just 13% of apartments in complexes with more than 200 units, they have plenty of room to grow, assuming their stocks stay in favor. That isn't a given: Last year, apartment REIT stocks showed an average return of about 28%, including dividends, a better performance than the overall stock market and one that will be tough to repeat.

In fact, rent increases are slowing in many once-frothy markets in the West and South where REITs are active. A recent Salomon Brothers report estimates that the supply of new apartments this year will outstrip the number of new tenants for the first time in several years. As a result, Salomon analyst Jordan Heller expects apartment rents, which rose an average of 3% in 1995 and 1996, to increase only 2% this year and possibly even less next year.

So, analysts recently downgraded their rating on Post Properties, which has long been a Wall Street darling. Heavy apartment construction in Atlanta has slowed rent growth there. To protect its investments, Post has, among other things, built apartment buildings in mature suburbs with less competition from new complexes, says Tim Peterson, an executive vice president. But he adds, "You're never immune to overall market conditions."

---- INDEX REFERENCES ----

COMPANY (TICKER): POST PROPERTIES INC.; WALDEN RESIDENTIAL PROPERTIES INC. (PPS WDN)

NEWS SUBJECT: Newspapers' Section Fronts; Industry Overview; Front-Page Stories (FRT IOV PAG)

MARKET SECTOR: Financial (FIN)

INDUSTRY: Real Estate Investments (REA)

PRODUCT: Real Estate (DRL)

REGION: Georgia; North America; Texas; United States; Southern U.S. (GA NME TX US USS)

LAYOUT CODES: Left Leader; Page One Umbrella (LFT PGO)

Word Count: 1795

3/25/97 WSJ A1

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Citation Search Result Rank 46 of 171 Database
1/20/97 MULTINEWS 6 ALLNEWS
1/20/97 Multichannel News 6
1997 WL 8741059
(Publication page references are not available for this document.)

Multichannel News
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Monday, January 20, 1997

ISSN: 0276-8593

Cox Wins Case Over MMDS Provider

JOE ESTRELLA

Cox Communications Inc. has won the first-ever jury trial involving a cable operator threatened with eviction by an apartment complex looking to install a wireless cable operator.

A Lubbock County, Texas, jury recently ruled that five area apartment complexes acted illegally by trying to dump the MSO as their cable television provider in exchange for Heartland Wireless Inc., an MMDS (wireless) operator that was offering a 10 percent rebate on all gross revenues that it realized at those locations.

The jury took eight hours to find that the five individual management companies had breached valid contracts dating back to the mid-1980s that granted Cox access to the properties. Moreover, the property-owners conspired with Heartland to illegally confiscate equipment installed by Cox at each location.

Lubbock County District Court Judge Mackey Hancock issued a permanent injunction preventing the property-owners from denying Cox access to the apartment complex, or from taking control of equipment on the premises.

But in the biggest blow, the judge awarded Cox almost $100,000 in attorney's fees from the management companies.

Texas cable operators were monitoring the case closely because of the increased trend of property-owners looking for sweetheart deals with new service providers, said Phil Kantor, an attorney with Bienstock & Clark, the Miami-based law firm that represented Cox.

'You have a nonfranchised service provider trying to shut out an incumbent that has spent the capital to install and maintain equipment,' said Kantor.

Sources said Heartland was not expected to run the risk of losing an appeal of the decision, which would make the decision case law that could be quoted in other venues.

Kantor said the Lubbock jury didn't buy Heartland's argument that the original contracts between Cox and the property-owners were entered into by managers not authorized to sign such agreements.

The jury felt that 'the managers had either express or implied authority [to sign the contracts],' Kantor said.

Kantor said the opposition was probably counting on a friendly jury, given the animosity that exists toward cable television providers nationwide. But out of an initial pool of 60 jurors, only two could be found with complaints about Cox's service in the Lubbock area.

The battle in Lubbock is symbolic of situations cropping up for cable operators nationwide.

The scenario usually involves an MMDS operator that can offer the property-owner a piece of the gross revenues in exchange for dropping the entrenched cable operator. The wireless operator can afford such a deal because it doesn't pay a 5 percent municipal franchise fee, and it won't have to incur the cost of installing equipment if the property-owner can confiscate the incumbent's existing fixtures.

'The property-owner doesn't care, because this is just another revenue source for them,' said Bill Arnold, president of the Texas Cable & Telecommunications Association. 'It's a difficult problem, and it's happening more than it's talked about.'

It's a problem that some state cable trade associations have recently indicated that they plan to address by introducing legislation granting cable operators access to rental properties. The legislation would also prevent management companies from requiring fees for access to their properties.

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(Publication page references are not available for this document.)

Meanwhile, operators are starting to pile up victories against the opposition.

In another case involving a high-profile MSO, Bienstock & Clark recently won a temporary injunction preventing property-owners from denying access to an apartment complex in Van Nuys, Calif., to Tele-Communications Inc.'s TCI of East San Fernando Valley L.P. MCN

---- INDEX REFERENCES ----

COMPANY (TICKER): COX COMMUNICATIONS INC.; COX ENTERPRISES INC. (COX X.COX)

ORGANIZATION: COX COMMUNICATIONS INC.

INDUSTRY: Cable Industry; Media; Broadcasting; All Entertainment & Leisure (CBL MED BRD ENT)

REGION: United States (US)

Word Count: 566
1/20/97 MULTINEWS 6
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6TH STORY of Level 1 printed in FULL format.

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Journal of Property Management

January 11, 1997

SECTION: No. 1, Vol. 62; Pg. 46; ISSN: 0022-3905

IAC-ACC-NO: 19180411

LENGTH: 3497 words

HEADLINE: Regional roll call; 1996 annual convention of Institute of Real Estate Management

BODY:

During the November 1996 IREM Annual Convention, the Institutes Regional Vice Presidents commented on issues affecting the real estate industry in their areas and nationwide. (All Regional Vice Presidents are CPM[R] members.)

James P. Kuntz, Region 12 (Alaska, Idaho, Montana, Oregon, Washington, and Wyoming): Many managers in all parts of our region see the ability to list properties on the Internet as having a significant impact on the way they will do business in the future. More use of **video and television** will also affect marketing.

Scott M. Ziegler, Region 1 (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont): Technology will affect not only the way we do business, but also the **profitability** of our properties. We see a trend toward the leasing of sites for satellite dishes and renting space for telephone access in buildings.

Enis Hartz, Region 2 (Delaware, New Jersey, New York, and Pennsylvania): In the Northeast, we have a great many older buildings that are being retrofitted to accommodate new technologies. The financial challenge for us is to be able to deliver those components so that tenants can service their clients their way. These tenants, as well as our commercial clients, are also interested in communicating with us through e-mail. Most residential owners, on the other hand, do not have the technology to reach me electronically or to receive reports via e-mail.

Roland D. Freeman, Region 7 (Oklahoma and Texas): Technology also has the potential to help smaller companies compete more effectively. As data becomes available electronically, the larger company with the research department will have less advantage over the two-man shop; everyone can access the same information.

The virtual office also makes it possible for a highly qualified individual to work part-time at several companies from one location. Thus a smaller company can buy only as much of this expert's time as it needs and have the same skills to offer as a larger operation. It also gives the virtual employee more flexibility and a chance to expand his or her income.

Richard D. Houser, Region 3 (District of Columbia, Maryland, Virginia, and West Virginia): As the children of the Baby Boom enter the work force, we will see a world in which computerization and electronic interconnectivity will be the norm. Any management company unwilling to embrace this technology will not survive.

Paul F. Dastugue III, Region 5 (Alabama, Arkansas, Louisiana, and Mississippi): I was talking to a kindergarten class the other day, and the children did not know what a live mouse looked like; to them, a mouse was connected to a computer. I also think that the changes in our business will not just be on the technology side, but on what we consider our businesses to be. We call ourselves "property managers," but more and more universities and banks are outsourcing facilities services, and there are opportunities for big and little companies alike.

The most difficult aspect is trying to see how technology can be adapted to fit our needs. For example, I have seen one software program that is designed to enter property information only once and then electronically transmit it to multiple programs. We are trying to implement this in our company, and it is extremely difficult. But the productivity gains are potentially significant.

We are also using the Internet to "drop off" owner reports and proposals. I have all my property photographs digitized in Seattle and sent to me over the Net. Our maintenance technicians are using bar-code readers to input repair information, and our managers have easy access to more data.

The apartment area is also benefitting from technology in the form of one-access telecommunications that provide security, telephone, **television,** and more. This is already happening.

John H. Dickerson, Region 10 (Kansas, Missouri, Nebraska, North Dakota, and South Dakota): I think the deciding factor for property managers is whether or not they will extend their computerization beyond accounting, for example, using databases for information management or portfolio analysis or employing CAD systems to track space plans. In our market, we have a firm doing computerized proposals right in the client's office. Many companies are nowhere near this, but they need to be.

Richard H. Forsyth, Region 8 (Arizona, Colorado, Nevada, New Mexico, and Utah): In Region 8, we feel that the key to maintaining a competitive position in the property management business and related real estate services is technology. Working smarter electronically will save time, reduce operating overhead for management company and client alike, and create new opportunities. The Internet can provide valuable information and will be a new source of business for those willing to actively use it.

The Human Touch

Richard T. Luesing, Region 4 (Florida and Georgia): I think as a counterbalance to all the interest in technology, we need to remember that we are a service-based industry that must balance technology and people skills. In some instances, technology is putting barriers between managers and clients. Think how often you communicate now through voice mail or Some decisions simply should not be made this way.

Computerized reporting and accounting are a given, but I recently spoke to a pension fund client who reminded me of the importance of personal interaction. This Atlanta company's accounting department had started working from 3:00 a.m. until 10:00 a.m. during the Olympics and continued doing so because the employees liked the schedule. But the company found that the accounting staff had no interaction with other parts of the company or with vendors - they lost the human clement. Technology has certainly made our businesses more efficient, but clients still want to sit down face to face and talk about their investments. They want your gut experience as well as a stack of financial analyses. We have to find a balance between the two.

Craig L. Cardwell, Region 13 (North Carolina, South Carolina, and Tennessee): In the Southeast, our biggest challenge is the educational level and trainability of prospective employees. In a low-unemployment environment, we are hiring people today we should not be hiring, and we are even more concerned about who we might be hiring tomorrow. And even the bright workers do not have the company loyalty that we used to find. This has changed the way that we provide benefits, the type of space we will provide, and how we will train and promote.

Saadat Keshavjee, Canada West (Alberta, Saskatewan, Vancouver): In Canada, we find our manpower requirements are changing dramatically. We have a selective immigration policy, so historically our new workers have been well-educated. Lately, however, we have found that many university-educated workers cannot find entry-level jobs. Property management has benefitted, and we have been able to hire high-quality workers. But just as in the United States, there is little worker loyalty. To compensate for this, many older workers are willing to continue working as consultants and staying on to fill that void.

Shifting Locations

Dastugue: Our region is experiencing a continued shift from urban to suburban, workers either moving into their homes or near their homes. Office space demand is also declining. In New Orleans, South Central Bell is going from 300,000 square feet of office space to 50,000 square feet by hotelling. With a decline in space demand, many of our C office buildings are being converted into hotels and others are becoming mini-storage facilities.

Thomas G. Bernacchi, Region 9 (Illinois, Minnesota, and Wisconsin): In my region, corporate downsizing has produced a surge in small, entrepreneurial businesses. These businesses are either working out of their homes or more frequently looking for small industrial or office space, which are often suburban. These companies are having a difficult time attracting workers to lower paying entry-level positions. And because most of the unemployed are located in the inner cities, transportation is also an issue. Locations near mass transit points are becoming very desirable. Some of the larger manufacturers in our area are actually building apartments near their plants and offering services such as day care to attract workers. Labor shortages may also make CBD offices more attractive because they are more accessible.

Terence L. Tom, Region 11 (California and Hawaii): Telecommuting is prompting some companies to lease less office space. Offering that flexibility in California, where the traffic can be such a big problem, can be very attractive to workers, but it alters both the amount of space required and the configuration of that space.

Forsyth: Much of our growth in our five state areas comes from in-migration. Occupancies in every real estate property type (apartment, office, retail, and industrial) are at record high levels in every city. Tucson is the one exception with a high apartment vacancy due to overbuilding. With the amount of in-migration and natural increase, 1997 should be another good year for real estate investors and developers in the inter-mountain states.

Mollie M. Wood, Region 6 (Indiana, Kentucky, Michigan, and Ohio): Our region echoes many of the same issues facing other areas. In addition, because industrial businesses in our area are becoming more global, locations near transportation are especially valuable.

Keshavjee: Change of use is widespread in Canada. Many older warehouse buildings in Canada are being converted to lofts, and office buildings are being converted into apartments. Offices are also being converted into multi-user executive suites for downsized executives starting their own businesses.

Canadian managers are also expanding income by providing integrated services to off-shore investors and helping them direct their investments.

Tom: We are also seeing a surge in the demand for executive suites in San Francisco, although we find that the properties have to be at least 70-percent leased to be **profitable.** We are also seeing greater interest in lofts that allow people to live and work in one space.

Luesing: I have a friend in Chicago who lived and worked in the same building, which also had a market, a bank, a health club, and two restaurants. When it was cold, he never came out.

In a similar vein, a new high-end community shopping center in Florida has apartments above it. Many of the proprietors live in the apartment building and walk down to work. It harkens back to pre-World War II cities where families lived above the store in urban areas. This could help relieve pollution and transportation problems.

Freeman: A traditional city; who knows, New York may actually work.

New Clients for a New Age

Tom: We have also seen several large telecommunications companies coming into California and offering to "wire-up" buildings. Eventually, this may be a necessary amenity, but now it can be a source of **revenue.**

Houser: I read an interview with Andy Grove, CEO of Intel in the September 2 issue of Newsweek in which Grove said that businesses are most vulnerable at strategic inflection points - points at which a company faces an event that entirely changes its future direction. I think that in the next few years, most real estate businesses will be facing an inflection point. According to a report done by Equitable Real Estate, pension funds own about 43 percent of the $ 230 billion of investment real estate in today's market, insurance companies account for another 21.7 percent, and REITs for another 18 percent. Management companies will have to adapt more than ever to the management styles of these larger entities. The aging demographics of the Baby Boom will also have an overall dampening effect on real estate demand at all levels, as well as on changing the demand for housing and office spaces and for mix of goods and services.

Tom: In our region, the trend toward a two-tiered management company structure is continuing. Large management companies are taking over mid-sized companies and "buying" the market. And smaller companies are remaining boutique operations, serving those clients who do not necessarily need a 30-page report every day.

Luesing: We are seeing a similar shift in our market. Another opportunity for the smaller company is rehabilitating and repositioning apartment properties for REITs; many larger companies are not interested in that work. Again, these people want the market knowledge and the personal reactions as you walk the property, as well as the financial projections.

Kuntz: I agree. Although we have been talking a great deal about globalization, I think managers' strengths are their individual knowledge of a local market. I do not see that being eroded by technology.

I also expect to see more property management companies teaming up with developers to create full-service entities, some of which will become public companies.

Dickerson: Another alternative to larger management companies buying smaller ones is regional alliances between larger companies in major markets and smaller companies in smaller markets that may not be large enough for a regional office. We are seeing that even in the conservative Midwest.

Luesing: Even large companies are recognizing the value of a local name when they acquire a company.

Robert O. Click (Vice Chairman, IREM Regional Vice Presidents Committee): We also find that in some cases, larger companies can obtain local business but are unable to service it well. A good presentation is one thing, but you still have to service the contracts. I think we are going to see more of an unbundling of property management services, so that local management companies can focus on the hands-on management, while a national company can handle the client relations with the institution. It is happening already and offers a good source of **revenue** for smaller firms.

Dickerson: We can also make strategic alliances with vendors who provide services to our property to generate income for the properties and save money for residents. I think that these alliances are the direction our business is going. By combining your services, you can look terrific.

New Income Sources

Forsyth: Several competing phone companies are coming into the region and negotiating to wire office buildings with high-speed, fiber-optic **cables.** There are going to be real opportunities to take advantage of that to benefit our tenants.

Dastugue: One New Orleans investor actually bought a high-rise building with multiple antennas on the roof, sold the rights to leasing **revenues** from the antennas to a Florida company for $ 3.5 million, and used that money to redevelop the building. In New Orleans, we also have a company that formed an alliance with the city to wire the downtown with a fiber-optic ring and bring it up to individual buildings.

Freeman: I can remember when we felt that apartment managers could make money renting furniture or providing laundry rooms. Even though we made money in these areas, managers eventually began subcontracting out the work because it took time away from management.

It is this example that makes me question why some management companies are now going into the telephone business. We will spend untold amounts of energy learning the business to make $ 4 a unit and eventually to sell it back to our provider/partner. We should really stay focused on what we do best, getting the highest rents for the space and keeping our tenants happy. Providing fiber-optic service and other conveniences may be part of keeping tenants happy, but that does not mean we have to go into that business.

Cardwell: Several years ago, we installed our own private telephone company at our properties. It looked great in the pro forma, but the reality was not as **profitable.** Now we have decided to let the telephone company be the telephone company. You are training your staff to a whole new set of skills, and that costs more than you think. We have had the same problems with installing Ethernet systems in our office buildings. The tenants like the option, but they are not willing to pay enough for us to make a **profit.**

Hartz: Our role as asset managers protecting the owner's investment is clear; we have to know what technologies are out there, but we have to understand the economics as well. If we are taking on the expense, we have to be sure that there is a payoff.

Keshavjee: The bottom line of most decisions has to remain common sense. Computers can take us as far as we want them to, but we cannot forget the human element.

Predicting the Next Downturn

Cardwell: I cannot see anything that indicates real estate is other than a cyclical business. You can see new development creeping up; apartments are starting to see some development, and hotels are just beginning to show signs of activity. You can find spec money for almost any property type except office. Overbuilding is out there. We may not recognize until 18 months after it has happened, but it is out there.

Luesing: You cannot control people who make their money through development fees. In Atlanta, the last round of overbuilding was so severe that two counties have put moratoriums on new multifamily construction. So we have a little control from outside the industry.

Click: City opposition also has to do with municipalities' inability to pay for infrastructure.

Freeman: We have to convince city governments that smaller, higher-end apartments can be very **profitable** for a city. We may have development excesses in the future, but I do not believe that we want government regulation to control future construction.

Click: In our area, we are seeing favorable zoning regulations that allow developers building conventional apartments for the 55-years and over market to construct smaller units with less parking per unit, which helps to maximize land use.

Bernacchi: I think the property facing the biggest potential decline in our region is Big Box retailers. Sometimes it seems that there is one on every corner.

Ziegler: In the Northeast, category killers have put a lot of local retailers out of business. In many cases, they are the only alternatives, now.

I think the changes being considered for subsidized housing could mean real problems for Section 8 housing. Our areas have not recovered so people have more rental choices. The government will have to bail these properties out when residents take their vouchers and go somewhere else.

Wood: We are seeing an explosion of retail centers being built in our region, and eventually some of it will have to fall out. And when the Big Boxes go dark, it has an incredible impact on the smaller local markets.

Kuntz: It seems that the Big Boxes are just watching demographics instead of the competition. They build where the population and income are, but they don't consider absorption or sales. We have seen several bankruptcies in the Northwest, bringing more vacant retail space into the market.

Forsyth: We have clients who own Big Boxes and do not want them. If a Big Box retailer is struggling or goes out, you cannot refinance your center.

Keshavjee: Canada is just getting into Big Boxes, but major malls are very vulnerable and in need of renovation. Shoppers in Canada are also shifting their shopping patterns more toward traditional strip shopping, where you drive up, make your purchase, and drive away.

CBD office, especially mid-range buildings, are having real difficulty with absorption. Changes in business may make it impossible for these buildings to be re-adapted; they may have to be razed.

Dastugue: The aging Baby Boomers are greatly increasing a demand for services; in our region there is a car wash on every block. This demand should also help the high-end apartment industry.

Click: The other side of this trend is Baby Boomers retiring, taking money out of their investments, and living on it. Then what do we do with this huge infrastructure of services we have created.

Dastugue: That will be the next downturn.

Dickerson: At the 1996 IREM Asset Management Symposium, an economist pointed out that real estate will boom for the next 10 years and then decline as the Baby Boom starts to retire. I think there are three ways the present recovery could end: general economic changes, such as a recession; the industry forgetting what happened in the 1980s and severely overbuilding again; and the demographics of the early 21st century. We cannot do much about economics, but we can avoid the excesses of the 1980s by reminding each other what happened, and we can prepare for the demographics of the future and be ready to achieve something positive.

The **Journal of Property Management** wishes to thank all IREM RVPs and Chapter Presidents for their contributions to this article.

LANGUAGE: ENGLISH

IAC-CREATE-DATE: March 7, 1997

LOAD-DATE: March 08, 1997

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3RD STORY of Level 3 printed in FULL format.

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Journal of Property Management

January 11, 1997

SECTION: No. 1, Vol. 62; Pg. 30; ISSN: 0022-3905

IAC-ACC-NO: 19180407

LENGTH: 3326 words

HEADLINE: Telecommunications invasion: defending your role as gatekeeper; property management

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BODY:

It's an apartment manager's nightmare: A white van lumbers over the flower bed to get around another van that has parked in your space to get access to a **cable** feed. All the lines on your phone are lighting up, red as the faces of the enraged residents who are calling to complain about the chaos in the common areas. They want to know why their pay-per view got disconnected. Why an army of **cable** guys in polo shirts is poking about in the bushes, extruding spaghetti helpings of wiring from the building.

By the end of the day, the grounds are a minefield, and the roofs and cedar siding are covered with so many satellite dishes that the property looks like the Death Star.

If you think this scene is just hype and hysteria, may the Force be with you. Soon, this year perhaps, you may find yourself in the middle of the telecom tug o' war aggravated by the Telecommunications Act of 1996 and the deregulation laws preceding it. As copper wire; **cable;** fiber optics; and wireless transmission of voice, data, and **video** converge, and as telecommunications law gets defined, one thing is certain: confusion awaits on the bumpy, open-competition road to 21st-century communication.

"Consumers will feel confusion over the next year as local competition is introduced," says attorney Jim Tobin, whose San Francisco firm, Morrison and Foerster, represented SBC Communications (parent of Southwestern Bell) in its recent merger with Pacific Telesis. "People will be hit with barrages of advertising over the next year or two about one-stop shopping."

If confusion is the theme, it is up to the property owners and managers to explain it away, to make residents' lives easier, while they still hold the key to accessing those residents.

"Property owners are gatekeepers, like the city government is the gatekeeper to a city," says Greg Heifner, president of Heifner Communications Inc., a

Columbia, Mo., private **cable** system designer and programming distributor. For many years, providers of **cable,** telephone, and Internet service have been willing to pay the price of admission, unloading a share of their **revenue** at what the industry calls a property's gateway.

Now that long distance carriers and other well-heeled companies are able to offer each others' services, more managers and owners are finding it pays to be the keeper of that gateway. As long as the FCC doesn't change the locks with its proposed rulings (see sidebar, "Gatekeepers without Keys"), opportunities to provide telecommunications services to residents exist, and in several flavors.

Who Goes There?

George Orwell had it wrong. In 1984, it wasn't Big Brother watching, it was Ma Bell listening. The break up that year of AT&T (Ma Bell) into seven Baby Bells, or regional Bell operating companies (RBOCs), allowed apartment owners to start sharing in telecommunication **revenues.** Now, thanks in part to the 1996 Act, the field is crowded with contenders. And the list of potential providers, from AT&T to Z Music TV, is growing.

"If you move to San Francisco in 1999, you won't automatically think of the local telephone company as your only choice for hooking up your apartment to the information network of the world," says Tobin. "Your options will be PacBell; AT&T, MCI, Sprint, and who knows how many other long distance companies; three or four wireless companies; the local **cable** TV company; and other companies that will find synergy with what they do, their brand in the marketplace, and telecommunications."

Definitions and companies in the telecommunications world converge right along with the technology, making it a little difficult to keep up. (It might be worth visiting the FCC's Telecommunications Terms site on the Web at http://www.its.bldrdoc.gov:80/fs-1037.) Long distance carriers are among the competitive local exchange carriers (CLECs) who are now allowed to compete in the $ 90 billion local telephone market with the RBOCs and other local exchange carriers (LECs). Likewise, the local providers are allowed to compete in the $ 75 billion long distance market. In addition, companies that were known as competitive access providers (CAPs), such as Teleport Communication Group, Metro Fiber Systems, or Brooks Fiber, keep crossing the line to become CLECs. Add to that the **cable** and wireless companies, from Time Warner to hundreds of private **cable** and shared tenant service (STS) providers, that will offer voice as well as **video** service and there are plenty of players tripping over each other on the telecommunications front.

Whose Line Will You Haul?

There are basically three ways to haul the lines of communication to your residents and collect a **revenue** share: go private, go with a big **cable** franchise or incumbent carrier, or do it yourself through a joint venture or your own company.

It has been said that private **cable** and telephone service is "the amenity of the '90s" for apartment owners. Depending on who you get your numbers from, the industry has either taken off in the 1990s or has remained somewhat flat. The Independent **Cable** and Telephone Association (ICTA), which includes member